

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Backus Township	County Roscommon
Fiscal Year End 3-31-2006	Opinion Date 6-5-06	Date Audit Report Submitted to State 7-13-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Daniel S. Smith, CPA		Telephone Number 989-732-1441	
Street Address 114 S. Center Ave Suite 108		City Gaylord	State MI
Zip 49735			
Authorizing CPA Signature 	Printed Name Daniel S. Smith	License Number 1101020912	

TOWNSHIP OF BACKUS
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006

TOWNSHIP OFFICIALS

SUPERVISOR

MARY RIPKE

CLERK

LOUISE NAGY

TREASURER

DARLENE RASE

TRUSTEES

LARRY ENOS

PATRICIA COLE

TOWNSHIP OF BACKUS

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INDEPENDENT AUDITOR'S REPORT

June 5, 2006

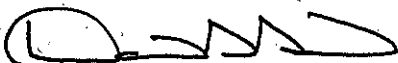
To the Township Board
Township of Backus

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Backus, Roscommon County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Backus, Roscommon County, Michigan as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages II - V and budgetary comparison information on pages 17 - 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Daniel S. Smith, CPA

TOWNSHIP OF BACKUS

TOWNSHIP OF BACKUS MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2006

This section of the Township of Backus's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Township assets at March 31, 2006, as reported in the Statement of Net Assets, totaled approximately \$220,414 for governmental activities. Of the total Township assets, approximately \$49,058 represents capital assets net of depreciation.

Overall revenues were approximately \$101,146 (\$820 from program revenues and \$100,326 from general revenues). Overall expenses approximated \$110,671.

The Township did not incur any new debt instruments during the year, nor were there any debt service payments. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Township. The Township does not engage in any business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Township are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets decreased approximately \$9,525 during the year ended March 31, 2006 totaling \$219,115.

The decrease is mainly due to increased costs for fire and ambulance services, as well as the trash pickup expense.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Governmental Funds: The fund balances for governmental funds decreased approximately \$6,200. This decrease is also due to increased costs for fire, ambulance, and trash services.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would primarily include township administration, assessing, zoning, and the costs to operate the township hall. The major sources of revenue for the general fund are from the Township tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire & Ambulance Fund: The Fire and Ambulance Fund is used to account for all activities related to fire protection and ambulance services. Revenues are derived primarily from property taxes and totaled \$21,426. Expenditures totaled \$23,608, which paid for contractual services primarily from Denton Township.

Trash Fund: The Trash Fund is used to account for all activities related to trash pickup. Revenues are derived from property taxes and totaled \$20,225. Expenditures, totaling \$26,598, were paid to Waste Management for trash pick up services.

The Township has the following non-major fund:

Building Fund: This fund is primarily supported by interest earnings. Revenues totaled \$2,162 and expenditures totaled \$879.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: There were no major capital asset purchases over the past year.


Long-Term Debt: The Township has no long-term debt.

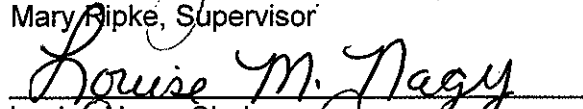
KNOWN FACTORS AFFECTING FUTURE OPERATIONS

None known.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact one of the following Township officials.



Mary Ripke, Supervisor

Louise Nagy, Clerk

Darlene Rase, Treasurer

**TOWNSHIP OF BACKUS
STATEMENT OF NET ASSETS
MARCH 31, 2006**

ASSETS

Current Assets:

Cash	\$ 128,025
Certificate of Deposit	20,000
Delinquent Taxes Receivable	7,588
Due from Fiduciary Fund	519
Prepaid Ambulance Contract	15,224
	<hr/>
Total Current Assets	171,356
	<hr/>

Noncurrent Assets:

Land, Buildings & Equipment	84,331
Less, Accumulated Depreciation	(35,273)
	<hr/>
Total Noncurrent Assets	49,058
	<hr/>
Total Assets	220,414
	<hr/> <hr/>

LIABILITIES

Current Liabilities:

Payroll Withholding Taxes	1,299
	<hr/>
Total Liabilities	1,299
	<hr/>

NET ASSETS

Net Assets:

Net Assets, Unrestricted	160,819
Net Assets, Restricted	9,238
Investment in Capital Assets	49,058
	<hr/>
Total Net Assets	\$ 219,115
	<hr/> <hr/>

See accompanying notes to the financial statements

TOWNSHIP OF BACKUS
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
MARCH 31, 2006

					NET REVENUE (EXPENSES) AND CHANGE IN NET ASSETS	
P R O G R A M R E V E N U E S						
GOVERNMENTAL ACTIVITIES:	CHARGES FOR		OPERATING		GOVERNMENTAL	
	EXPENSES	SERVICES	GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS		
Township Administration	\$ (37,457)	\$ -	\$ -	\$ -		(37,457)
Assessing	(6,019)					(6,019)
Buildings and Grounds	(10,001)	600				(9,401)
Zoning/Building/Land Use	(3,680)	220				(3,460)
Fire and Ambulance	(23,608)					(23,608)
Trash Pickup	(26,598)					(26,598)
Unallocated Depreciation	(3,308)					(3,308)
Total	(110,671)	820	-	-		(109,851)
GENERAL REVENUES						
Property Taxes						54,945
State Shared Revenue						24,731
Swamp Tax						15,355
Interest						3,067
Other						2,228
Total General Revenues						100,326
Change in Net Assets						(9,525)
Net Assets - Beginning of Year						228,640
Net Assets - End of Year					\$	219,115

See accompanying notes to the financial statements

TOWNSHIP OF BACKUS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	MAJOR GOVERNMENTAL FUNDS			NON-MAJOR	
	GENERAL	FIRE & AMBULANCE	TRASH	FUND BUILDING	TOTAL
ASSETS					
Cash	\$ 62,701	\$ 14,291	\$ 46,725	\$ 4,308	\$ 128,025
Certificate or Deposit	20,000	-	-	-	20,000
Delinquent Taxes Receivable	1,856	2,682	3,050	-	7,588
Prepaid Ambulance Contract	-	15,224	-	-	15,224
Due From Trash Fund	792	-	-	-	792
Due from Other Funds	519	-	-	-	519
Total Assets	85,868	32,197	49,775	4,308	172,148
LIABILITIES AND FUND EQUITY					
Liabilities:					
Payroll Tax Withholdings	1,299	-	-	-	1,299
Due to General Fund	-	-	792	-	792
Total Liabilities	1,299	-	792	-	2,091
Fund Equity:					
Fund Balance - Undesignated	75,331	32,197	48,983	4,308	160,819
Fund Balance - Designated	9,238	-	-	-	9,238
Total Fund Equity	84,569	32,197	48,983	4,308	170,057
Total Liabilities and Fund Equity	\$ 85,868	\$ 32,197	\$ 49,775	\$ 4,308	\$ 172,148

See accompanying notes to the financial statements.

**TOWNSHIP OF BACKUS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006**

TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES PER THE BALANCE SHEET - PAGE 3	\$ 170,057
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Amounts reported for governmental activities in the Statement of
Net Assets (page 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	<u>49,058</u>
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES PER THE STATEMENT OF NET ASSETS - PAGE 1	<u><u>\$ 219,115</u></u>
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See accompanying notes to the financial statements

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

MAJOR FUNDS

	<u>GENERAL</u>	<u>FIRE & AMBUL.</u>	<u>TRASH</u>	<u>BUILDING FUND</u>	<u>TOTAL</u>
REVENUES					
Property Taxes	\$ 14,199	\$ 20,521	\$ 20,225	\$ -	\$ 54,945
State Grants:					
Michigan Sales tax	24,731	-	-	-	24,731
Swamp Tax	15,355	-	-	-	15,355
Charges for Services:					
Building Agency Revenue	-	-	-	-	-
Summer tax Collection	-	-	-	-	-
Permits	220	-	-	-	220
Rents	600	-	-	-	600
Interest	-	905	-	2,162	3,067
Miscellaneous	2,228	-	-	-	2,228
Total Revenues	57,333	21,426	20,225	2,162	101,146
EXPENDITURES					
General Government	56,278	-	-	-	56,278
Ambulance & Fire Services	-	23,608	-	-	23,608
Trash Pick Up Services	-	-	26,598	-	26,598
Building Repairs	-	-	-	879	879
Total Expenditures	56,278	23,608	26,598	879	107,363
Excess (Deficiency) of Revenues over Expenditures	1,055	(2,182)	(6,373)	1,283	(6,217)
Fund Balance - Beginning of Year	83,513	34,379	55,356	3,025	176,273
Fund Balance - End of Year	<u>\$ 84,568</u>	<u>\$ 32,197</u>	<u>\$ 48,983</u>	<u>\$ 4,308</u>	<u>\$ 170,056</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF BACKUS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
PER THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PAGE 5**

\$ (6,217)

Amounts reported for governmental activities in the Statement
of Activities (page 2) are different because:

Depreciation expense is recorded in the statement of activities,
but not in the governmental fund financial statements

(3,308)

**CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES - PAGE 2**

\$ (9,525)

See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2006**

ASSETS		
Cash		\$ 519
		<u> </u>
LIABILITIES		
Due to General Fund		519
		<u> </u>
NET ASSETS		
Net Assets		\$ -
		<u> </u>

See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2006**

RECEIPTS

Property Taxes and Interest	\$ 295,613
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DISBURSEMENTS

Property Taxes and Interest	295,613
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Change in Fiduciary Net Assets	-
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Fiduciary Net Assets - Beginning of Year	-
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Fiduciary Net Assets - End of Year	\$ -
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See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE A: ENTITY

The Township of Backus is a general law township of the State of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Backus Township. Fire and Ambulance services are provided under contractual agreements with Denton and Richfield Townships.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Township of Backus are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of the Township of Backus conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township of Backus adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Township as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, State revenue sharing, and other inter-governmental revenues.

Fire & Ambulance Fund – This fund is used to account for all financial transactions related to the Township's fire protection and ambulance services. Revenues are derived primarily from property taxes.

Trash Fund – This fund is used to account for all financial transactions related to the Township's trash pickup services. Revenues are derived primarily from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$10,770,534.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax rates for the year ended March 31, 2006, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	1.318 mills per \$1,000
Fire & Ambulance	1.905 mills per \$1,000
Trash	\$100 per homestead property \$50 per non-homestead property

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets are adopted on March 31 of each year. There are no carryover budget items. During the year ended March 31, 2006, no over-expenditures were noted.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Improvements, other than buildings	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10
Infrastructure	20 - 40

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, construction in progress, and library books and periodicals are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE C: CASH AND INVESTMENTS (CONTINUED)

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	BANK BALANCE	1	CATEGORY		CARRYING AMOUNT
			2	3	
Major Funds	\$ 139,061	\$ 139,061	\$ -	\$ -	\$ 123,717
Non-Major Funds	4,308	4,308	-	-	4,308
Total	<u>\$ 143,369</u>	<u>\$ 143,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,025</u>
Trust & Agency	\$ 519	\$ 519	\$ -	\$ -	\$ 519

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's **investments** are as follows:

Category 1 - Insured or securities held by the Township or the Township's agent in the Township's name.

Category 2 - Uninsured with securities held by the counter party's trust department or its agent in the Township's name.

Category 3 - Uninsured with securities held by the counter party's trust department or agent but not in the Township's name.

	1	CATEGORY		CARRYING AMOUNT
		2	3	
Major Funds	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>

NOTE D: DUE FROM/TO OTHER FUNDS

Due From/To Other Funds represents \$519 from the Fiduciary fund and \$792 collected in the trash fund that had not been distributed at March 31, 2006, to the various funds as follows:

General Fund	<u>\$1,311</u>
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**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE E: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land & Improv.</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Totals</u>
Governmental Activities				
<i>Capital Assets</i>				
Balance, April 1, 2005	\$ 10,000	\$ 55,000	\$ 19,331	\$ 84,331
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, March 31, 2006	<u>10,000</u>	<u>55,000</u>	<u>19,331</u>	<u>84,331</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2005	-	16,500	15,465	31,965
Increases	-	1,375	1,933	3,308
Decreases	-	-	-	-
Balance, March 31, 2006	<u>-</u>	<u>17,875</u>	<u>17,398</u>	<u>35,273</u>
<i>Capital Assets, Net</i>	\$ 10,000	\$ 37,125	\$ 1,933	\$ 49,058

NOTE F: LONG-TERM DEBT

As of March 31, 2006, the Township had no long-term debt.

NOTE G: DESIGNATED FUND BALANCE/NET ASSETS

The Township has designated fund balance in the amount of \$9,238. The designations are \$7,583 for future road expenditures and \$1,655 for park expenditures.

NOTE H: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
State Grants:				
State Shared Revenue	\$ 21,000	\$ 21,000	\$ 24,731	\$ 3,731
Swamp Tax	15,400	15,400	15,355	(45)
Property Taxes	14,500	14,500	14,199	(301)
Charges for Services:				
Summer Tax Collection	1,400	1,400	-	(1,400)
Permits	300	300	220	(80)
Rents	850	850	600	(250)
Miscellaneous Revenue	1,000	1,000	2,228	1,228
Total Revenues	54,450	54,450	57,333	2,883
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Salaries	1,650	1,650	1,650	-
Payroll Taxes	-	-	2,022	(2,022)
Supplies	300	300	397	(97)
Professional Fees	4,000	4,000	1,990	2,010
Communications	50	50	291	(241)
Printing and Publishing	200	200	117	83
Workers Compensation	500	500	459	41
Miscellaneous	2,380	2,380	2,166	214
Total Township Board	9,080	9,080	9,092	(12)
Township Supervisor:				
Salary	6,188	6,188	6,188	-
Communications	750	750	667	83
Operating Supplies	200	200	525	(325)
Transporation	80	80	71	9
Capital Outlay	-	-	-	-
Miscellaneous	250	250	345	(95)
Total Supervisor	7,468	7,468	7,796	(328)
Election:				
Contract Labor	1,500	1,500	666	834
Office supplies	600	600	186	414
Transportation	75	75	22	53
Education	150	150	-	150
Total Election	\$ 2,325	\$ 2,325	\$ 874	\$ 1,451

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Assessor:				
Contractual Services	\$ 5,320	\$ 5,320	\$ 5,302	\$ 18
Supplies	1,200	1,200	717	483
Total Assessor	6,520	6,520	6,019	501
Clerk:				
Salary	7,730	7,730	7,730	-
Education	150	150	-	150
Communication	600	600	520	80
Office Supplies	300	300	110	190
Transportation	200	200	210	(10)
Miscellaneous	-	-	19	(19)
Capital Outlay	800	800	803	(3)
Total Clerk	9,780	9,780	9,392	388
Board of Review:				
Contract Labor	600	600	585	15
Printing & Publishing	150	150	123	27
Office Supplies	-	-	-	-
Total Board of Review	750	750	708	42
Treasurer:				
Salary	7,405	7,405	8,022	(617)
Wages - Deputy	-	-	-	-
Office Supplies	900	900	185	715
Education	75	75	-	75
Transportation	100	100	71	29
Communication	250	250	247	3
Miscellaneous	300	300	415	(115)
Capital Outlay	-	-	655	(655)
Total Treasurer	9,030	9,030	9,595	(565)
Township Hall and Grounds:				
Repair and Maintenance	1,450	1,450	469	981
Contracted Labor	-	-	217	(217)
Insurance	4,300	4,300	4,249	51
Utilities	1,500	1,500	1,229	271
Office supplies	650	650	863	(213)
Parks	1,920	1,920	1,920	-
Total Township Hall and Grounds	\$ 9,820	\$ 9,820	\$ 8,947	\$ 873

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Zoning/Land Use:				
Wages	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Per Diem - Board	600	600	600	-
Legal	1,000	1,000	384	616
Supplies	250	250	-	250
Outside Services	625	625	296	329
Transportation	75	75	-	75
Communication	10	10	-	10
Total Zoning/Land Use	4,960	4,960	3,680	1,280
Street Lights	225	225	175	50
Total General Government	59,958	59,958	56,278	3,680
Excess (Deficiency) of Revenues Over Expenditures	(5,508)	(5,508)	1,055	6,563
Fund Balance - Beginning of Year	83,513	83,513	83,513	-
Fund Balance - End of Year	\$ 78,005	\$ 78,005	\$ 84,568	\$ 6,563

**TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE & AMBULANCE FUND
YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Property Taxes	\$ 20,500	\$ 20,500	\$ 20,521	\$ 21
Interest	-	-	905	905
Total Revenues	20,500	20,500	21,426	926
EXPENDITURES				
Ambulance & Fire Expense	23,000	23,000	23,608	(608)
Total Expenditures	23,000	23,000	23,608	(608)
Excess (Deficiency) of Revenues Over Expenditures	(2,500)	(2,500)	(2,182)	318
Fund Balance - Beginning of Year	34,379	34,379	34,379	-
Fund Balance - End of Year	<u>\$ 31,879</u>	<u>\$ 31,879</u>	<u>\$ 32,197</u>	<u>\$ 318</u>

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUE				
Property Taxes	\$ 20,000	\$ 20,000	\$ 20,225	\$ 225
Total Revenue	20,000	20,000	20,225	225
EXPENDITURES				
Trash Pick-Up Services	26,510	26,510	26,598	(88)
Total Expenditures	26,510	26,510	26,598	(88)
Excess (Deficiency) of Revenues Over Expenditures	(6,510)	(6,510)	(6,373)	137
Fund Balance - Beginning of Year	55,356	55,356	55,356	-
Fund Balance - End of Year	<u>\$ 48,846</u>	<u>\$ 48,846</u>	<u>\$ 48,983</u>	<u>\$ 137</u>